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February 9, 2011

TO: Each Health Deputy

FROM: Jonathan E. Fielding, M.D., M.P.H.
Director and Health Officer

SUBJECT: **NOTICE TO TERMINATE A CONTRACT WITH L.U.N.A. RECOVERY
INCORPORATED, A DRUG/MEDI-CAL AGENCY**

This is to inform you that the Department of Public Health (DPH) is terminating its contract with L.U.N.A. Recovery, Inc., because they moved their place of business to a non Drug Medi-Cal (DMC) certified site, failed to provide proper notification to either the State Department of Alcohol and Drug Programs or DPH Substance Abuse Prevention and Control, operated for nearly six months without a medical director, and operated for four months under a suspended corporate status.. The agency was located at 7007 Washington Avenue, Suite 240, Whittier, California 90602, in the Fourth Supervisorial District.

On November 5, 2008, the Board of Supervisors delegated the authority to the Director of DPH, or his designee, to terminate contracts with agencies for DMC program services, following County Counsel review and approval, and notification to the Board and the Chief Executive Office.

Attached is a list of authorities and findings that necessitate the termination of this contract.

If you have any questions or need additional information, please let me know.

JEF:mak

Attachment

c: Sheila Shima
Robert Ragland
Jonathan E. Freedman
Doraine Meyer
Tami Omoto-Frias
John Viernes, Jr.

**COUNTY OF LOS ANGELES – DEPARTMENT OF PUBLIC HEALTH
SUBSTANCE ABUSE PREVENTION AND CONTROL**

**LUNA RECOVERY INCORPORATED
CONTRACT TERMINATION REPORT**

February 2011

BACKGROUND

L.U.N.A. Recovery Incorporated has been under Contract with the County of Los Angeles Department of Public Health, Substance Abuse Prevention and Control (SAPC) to provide Drug/Medi-Cal (DMC) services since Fiscal Year 2007-2008. L.U.N.A.'s most recent annual audit was performed on March 3, 4, 5, 8, and 9, 2010.

METHODOLOGY

In June 2010, SAPC staff was informed that L.U.N.A. had moved from their DMC certified location due to an emergency. Subsequent conversations and numerous e-mails between SAPC staff, the State Department of Alcohol and Drug Programs, and the contractor provided additional information regarding the move, the nature of the emergency and additional ongoing deficiencies that were cited in the agency's last audit.

SERIOUS DEFICIENCIES

The following is a summary of the serious deficiencies related to L.U.N.A.'s cessation of services at their certified location, their continuing inability to secure certification of their new site, and other ongoing serious violations of Title 22 regulations, State certification standards, and contract requirements:

1. **Requirement:** In accordance with the California State Department of Alcohol and Drug Programs (SDADP), Alcohol and Other Drug Program Certification Standards, Section 7000c., which states, "A certification shall automatically terminate, prior to the expiration date stated on the certificate, whenever the program moves operation of the program from the location identified on the certificate to another location without notifying and submitting documents to the Department (as specified in Section 7005), and Section 7005a.1, which states, "At least 30 days prior to the move, the program shall submit to the Department written notification..." and, Section 7005c., which states, "If the program fails to comply with the requirements of subsection a. of this section, the certification shall terminate as of the date that operation of the program is moved...", and in accordance with the SAPC Services Agreement, Paragraph 15, entitled CONTRACTOR'S OFFICE, which states, "Contractor shall notify County, in writing, of any changes made to Contractor's primary business address... at least ten (10) days prior to the effective date thereof."

Finding: The Agency moved from its State certified location into an un-certified location on June 21, 2010, without giving required notices.

2. Requirement: In accordance with SDADP Drug Medi-Cal Certification Standards for Substance Abuse Clinics, Paragraph II.G.4.b., which states, "To prevent a lapse in certification in the event that the provider moves the operation of the clinic or satellite site to a new location due to an emergency resulting from natural disaster (e.g., flood, earthquake, or other natural disaster that could not have been prevented), building catastrophe (e.g., fire, explosion, plumbing or sewer system damage, vandalism), health and safety issue (e.g., epidemic, outbreak of disease), or 60-day or less notice of loss of lease, the provider shall prior to the move, notify ADP of the necessity of the move and the address where the clinic or satellite will be relocating. Within 60 days after the date of the move, the provider shall submit to ADP an application for certification including a fire clearance (as described in Section III.A.) and a use permit (as described in Section III.B.), description of the emergency necessitating the move, and a statement affirming that there is no change to the program other than the relocation due to emergency. If the provider fails to comply with this requirement, clinic certification shall terminate as of the 61st day after the date of the move."

Finding: On June 18, 2010, the Contractor received an eviction notice for non-payment of rent. The Contractor moved into the uncertified location on June 21, 2010.

Non-payment of rent does not meet the criteria of an emergency; consequently, the Contractor's move is not deemed an "emergency" move. The Contractor's new location still remains uncertified despite numerous promises from the Contractor that they are working on the certification.

3. Requirement: In accordance with Title 22, Drug Medi-Cal Substance Abuse Services, Section 51341.1 (h) (1)(D)(i) which states, For each beneficiary, the Provider shall: "Establish medical necessity consistent with Section 51303. For the purposes of these regulations, medical necessity is established by the physician's admission of each beneficiary pursuant to Subsection (h)(1) of this regulation, the physician review and signature of each beneficiary's treatment plan and updates pursuant to Subsection (h)(2) of this regulation, and the physician's determination to continue services pursuant to Subsection (h)(5) of this regulation; and (ii) Identify the applicable Diagnostic and Statistical Manual of Mental Disorders Third Edition-Revised or Fourth Edition diagnostic code."

Finding: The Contractor's agreement with their medical director expired in November 2009, and they were without the services of a licensed physician until April 2010. Medical necessity is the basic premise of any and all services reimbursed through the Medi-Cal system. All services that were performed during this period of time, and submitted for payment, may be subject to denial and recoupment.

4. Requirement: In accordance with the SAPC Additional Provisions, Paragraph 19, entitled Licenses, Permits, Registrations, Accreditations, and Certificates, which states, "Contractor shall obtain and maintain during the term of the contract, all appropriate license, permits, registrations, accreditations, and certificates required by Federal, State, and local laws, regulations, guidelines, and directives of the operation of its facility(ies) and for the provisions of services hereunder."

Finding: During the Agency's last annual audit it was discovered that the State of California had suspended the Agency's corporate status as of March 6, 2010. It was brought out of suspension by March 26, 2010. However, their corporate status was again listed as suspended during a routine check on August 19, 2010. The status remained suspended until December 12, 2010. All services that were performed during this period of time, and submitted for payment, will be subject to denial and recoupment.

CONCLUSION

Based upon the above facts, it is recommended that the Contractual Agreement between the County of Los Angeles and L.U.N.A. Recovery Incorporated be terminated immediately.